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ARA/BR:MR. WATSON (INFO)

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----- 100060

P R 082345Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY LIMA PRIORITY

AMEMBASSY SANTIAGO PRIORITY

AMEMBASSY BUENOS AIRES PRIORITY

AMEMBASSY BRASILIA PRIORITY

AMCONSUL RIO DE JANEIRO PRIORITY

INFO AMEMBASSY CARACAS

AMEMBASSY MONTEVIDEO BY POUCH

AMEMBASSY QUITO BY POUCH

AMEMBASSY BOGOTA BY POUCH

AMEMBASSY MEXICO BY POUCH

AMEMBASSY PANAMA BY POUCH

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E.O. 11652:N/A

TAGS: EWWT, XR

SUBJECT: SHIPPING: TEXT OF AIDE MEMOIRE ON PRUDENTIAL LINES
DIFFICULTIES

1. THE EMBASSY OF THE UNITED STATES OF AMERICA WISHES TO
DRAW ATTENTION TO A PROBLEM WHICH HAS ARISEN IN OUR MARI-
TIME RELATIONS AS A RESULT OF A SERIES OF MARITIME AGREE-
MENTS BETWEEN THE GOVERNMENT OF (HOST COUNTRY):

FOR BRASILIA - (BRAZIL) AND THOSE OF ARGENTINA (SEPTEMBER 27,
1968), PERU (APRIL 12, 1973) AND CHILE (APRIL 25, 1974).

FOR BUENOS AIRES - (ARGENTINA) AND THOSE OF BRAZIL (SEPTEMBER 27, 1968), PERU (OCTOBER 27, 1972) AND CHILE (MAY 17, 1974).

FOR LIMA - (PERU) AND THOSE OF ARGENTINA (OCTOBER 27, 1972
AND BRAZIL (APRIL 25, 1974).

FOR SANTIAGO - (CHILE) AND THOSE OF BRAZIL (APRIL 25, 1974
AND ARGENTINA (MAY 17, 1974).

THESE BILATERAL TREATIES, INTER ALIA, RESERVE ALL GENERAL
CARGOES, BOTH GOVERNMENT-FINANCED AND COMMERCIAL, BETWEEN
(HOST COUNTRY) AND EACH SIGNATORY COUNTRY FOR THEIR
RESPECTIVE NATIONAL FLAG CARRIERS. CONCURRENTLY, UNDER
SPECIFIC PROVISIONS OF THESE TREATIES AND THEIR INTER-
ACTION WITH THE PROVISIONS OF OTHER BILATERAL AND/OR
MULTILATERAL AGREEMENTS, THE NATIONAL FLAG VESSELS OF
BRAZIL, ARGENTINA, CHILE AND PERU (PLACE NAME OF YOUR
HOST COUNTRY FIRST) AS WELL AS THOSE OF OTHER LAFTA
NATIONS MAY BE PERMITTED TO PARTICIPATE IN THE CARRIAGE
OF THESE BILATERALLY RESERVED CARGOES, PROVIDED THEY
EXTEND RECIPROCAL TREATMENT TO THE TREATY PARTNERS IN
RETURN. THE END RESULT HAS BEEN, AND WILL CONTINUE TO
BE, THE GRADUAL EXCLUSION OF NON-LAFTA FLAG SHIPPING
LINES FROM ACCESS TO ANY CARGOES MOVING IN THESE
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REGIONAL TRADES, APPARENTLY DISREGARDING ANY CONSIDERA-
TION OF THE NATURE OF THE SERVICE RENDERED AND THE
DAMAGING EFFECT SUCH EXCLUSION HAS HAD OR WILL HAVE ON
THE ABILITY OF NON-LAFTA CARRIERS, SUCH AS PRUDENTIAL
LINES TO CONTINUE TO PROVIDE AN INTERCONTINENTAL SERVICE
(I.E. BETWEEN THE WEST COAST OF THE UNITED STATES AND
CENTRAL AND SOUTH AMERICA).

2. THE SOLE U.S.-FLAG CARRIER SERVING THE U.S. PACIFIC COAST AND LATIN AMERICA IS PRUDENTIAL LINES. THE COMPANY OPERATES A STRICTLY WEST COAST NORTH, CENTRAL AND SOUTH AMERICA GENERAL CARGO SERVICE, UTILIZING TWO FREIGHTERS ON A TURN-AROUND BASIS. IT ALSO MAINTAINS AN AROUND-SOUTH AMERICA (CLOCK-WISE) SERVICE CONSISTING OF FOUR COMBINATION CARGO/PASSENGER VESSELS SAILING AT 16-DAY INTERVALS FROM PACIFIC COAST PORTS OF THE UNITED STATES AFTER CALLING AT VANCOUVER, CANADA. THESE VESSELS PROCEED ALONG THE WEST COAST OF MEXICO AND CENTRAL AMERICA, THROUGH THE PANAMA CANAL, DOWN THE EAST COAST OF SOUTH AMERICA, AND RETURN VIA THE STRAITS OF MAGELLAN AND THE WEST COAST OF SOUTH AMERICA, CALLING AT ALL PRINCIPAL PORTS ENROUTE. BECAUSE THIS IS NOT A "TURN-AROUND" SERVICE, BUT AN "AROUND-THE-CONTINENT" OPERATION, IT DEPENDS ON ACCESS TO WAY-PORT CARGOES, PARTICULARLY THOSE FROM BRAZIL AND ARGENTINA TO CHILE AND PERU, TO BE ECONOMICALLY VIABLE. THE CONCLUSION, IMPLEMENTATION AND ENFORCEMENT OF THE ABOVE-MENTIONED TREATIES THREATEN THIS SERVICE AS CARGOES ARE INCREASINGLY DENIED PRUDENTIAL LINES IN FAVOR OF OTHER VESSELS.

3. THE U.S. GOVERNMENT RECOGNIZES THE DESIRE OF COUNTRIES TO EXPAND THEIR MERCHANT MARINE CAPABILITIES TO CARRY A SUBSTANTIAL PORTION OF THEIR FOREIGN TRADE AND TO ASSIST THEIR NATIONAL SHIPPING LINES. HOWEVER, THE U.S. GOVERNMENT HAS MAINTAINED THAT CARGO RESERVATION SHOULD NOT BE SO EXTENSIVE OR ARBITRARY THAT REASONABLE SERVICES OPERATED BY TRADING PARTNERS AND TRADITIONAL

CROSS-TRADERS CANNOT BE MAINTAINED ON A SOUND ECONOMIC BASIS. IN THIS REGARD, IT IS NOTED THAT UNITED STATES SHIPPING LEGISLATION AND REGULATIONS DO NOT PRECLUDE LIMITED OFFICIAL USE

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THE FLAG LINES OF THE NATIONS OF SOUTH AMERICA FROM PARTICIPATING AS WAY-PORT TRADERS IN THE FOREIGN TRADES OF THE UNITED STATES. IN FACT, THE NATIONAL FLAG VESSELS OF BRAZIL, ARGENTINA, CHILE AND PERU (PLACE NAME OF YOUR HOST COUNTRY FIRST) LIFT UNITED STATES COMMERCIAL CARGOES DESTINED FOR WAY-PORTS IN LATIN AMERICA AS PART OF THEIR REGULARLY-SCHEDULED SERVICE BETWEEN THE UNITED STATES AND THEIR COUNTRY OF REGISTRY. TO DENY THESE FLAG VESSELS ACCESS TO WAY-PORT CARGOES FROM THE UNITED STATES WOULD UNNECESSARILY INCREASE THE ECONOMIC COSTS OF SERVING OUR RESPECTIVE TRADES IN THE WESTERN HEMISPHERE, WITH ADVERSE EFFECTS FOR ALL CONCERNED, AND IN PARTICULAR WOULD DISADVANTAGE THOSE NATIONAL FLAG LINES WHICH ARE STRIVING TO PROVIDE SERVICE ON A REGULAR BASIS BETWEEN NORTH AND SOUTH AMERICA.

4. THE U.S. GOVERNMENT IS CONCERNED ABOUT THE DETRI-
MENTAL EFFECT THAT THE AFOREMENTIONED TREATIES HAVE ON
PRUDENTIAL LINES "AROUND-SOUTH AMERICA" SERVICE, AND THE
DILEMMA THAT THESE TREATIES POSE FOR OUR OVER-ALL MARI-
TIME AND TRADE RELATIONS. ACCORDINGLY, THE EMBASSY OF
THE UNITED STATES WOULD APPRECIATE BEING INFORMED OF THE
VIEWS ON THIS MATTER OF THE GOVERNMENT OF (HOST COUNTRY)
SO THAT THE UNITED STATES GOVERNMENT MAY ASCERTAIN
WHETHER THE POSSIBILITY EXISTS THAT A MUTUALLY ACCEPTABLE
SOLUTION TO THIS PROBLEM MIGHT BE FOUND. KISSINGER

NOTE BY OC/T: POUCHED ABOVE POSTS.

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